

RULES OF THE
ALABAMA DEPARTMENT OF
REVENUE

CHAPTER 810-3-30

Return when Accounting Period Changes

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810-3-30-.01 Permission to Change Accounting Period.

(1) For tax years beginning after December 31, 1989, the change in accounting period for single entity taxpayers will change whenever there is an approved federal accounting period change.

(a) For corporations, filing Alabama returns on a separate entity basis, which become a member of a federal consolidated group, or cease to be a member of a consolidated group, or change from one federal group to another during the taxable year, no change in accounting period is required or permitted if the taxable year after the change in federal group membership will end at the same time as before the change.

(b) Alabama separate entity basis part-year returns are not permitted to be combined with Alabama affiliated group consolidated return.

1. A part-year return is not required following a change of corporate parent, unless the company affected will have a different tax year after the change. If two or more part-year returns are required for federal purposes, these part-year returns should be combined into a single return for Alabama purposes.

(2) For tax years beginning after December 31, 1998, the change in accounting period for a consolidated group will change whenever there is an approved federal accounting period change.

(3) For tax years beginning before January 1, 1990:

(a) In all cases in which a taxpayer desires to change from a calendar year to a fiscal year, from a fiscal year to a calendar year, or from one fiscal year to another fiscal year ending at a different date, permission must be obtained from the Department. The request for permission to make such change may be made by letter.

(b) Except as provided in (1)(a) above, a taxpayer who is required or permitted by federal law or rules to change the accounting period, will automatically receive approval for the same change in accounting period from this Department. Prior approval is not required if a copy of the approved federal change is attached to the first return filed after the accounting period is changed.

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Authority: §§ 40-2A-7(a)(5), 40-18-57 and 40-18-30, Code of Alabama 1975

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810-3-30-.02 Returns on Change of Accounting Period.

(1) If a taxpayer changes his accounting period from a calendar year to a fiscal year or from a fiscal year to a calendar year or from one fiscal year to another fiscal year, such change necessitates the filing of a return for a period of less than twelve months. Under no conditions may the return cover a period of more than twelve months. The following examples will illustrate this point:

(a) EXAMPLE: Taxpayer A has been filing returns for fiscal years ending June 30. The books have been closed for the fiscal year ending June 30, 1998. The return will be filed for this period, but it has been decided that it will be more advantageous to file for the calendar year in the future. In order to do this, a return must be filed for the six months beginning July 1, 1998 and ending December 31, 1998. Thereafter, the taxpayer must file a return each calendar year.

(b) EXAMPLE: Taxpayer B desires to change the taxable year from the calendar year to a fiscal year ending July 31. The taxpayer filed a regular calendar year return for 1997 and desires to file the first fiscal year return in 1998. A return must be filed for the seven month period beginning January 1, 1998 and ending July 31, 1998. A return will be filed for the twelve months ending July 31 in 1999 and each subsequent year.

(c) EXAMPLE: Taxpayer C has filed a return for the fiscal year ending September 30, 1997, but now desires to change to a fiscal year ending April 30 of each year. This can be accomplished by filing a seven month return for the period beginning October 1, 1997 and ending April 30, 1998. The taxpayer will file a return for the twelve months ending April 30 in 1999 and each subsequent year.

(2) In all of the above cases the taxable income shall be computed for each period for which a separate return or a consolidated return (for years beginning after 12/31/98) is made, and the tax shall be paid thereon at the rate applicable to the calendar years in which such period is included. The exemptions allowed shall be one-twelfth of the full annual exemptions multiplied by the number of months in the short taxable period.

(3) In general, the requirements with respect to the filing of returns and the payment of tax for a short period when the taxpayer has not been in existence for the entire taxable year are the same as for the filing of a return and the payment of tax for a taxable year of twelve months ending on the last day of the short period. This applies to a corporation or partnership that has gone out of business and to an individual who is a resident of the State of Alabama for the first part of the year only.

Author: Anne Glenn
Authority: §§40-2A-7(a)(5) and 40-18-57, Code of Alabama 1975
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